

## *Broad Array of Compensation Data Analyzed*

- Total Direct Compensation of Top 5 Executives at Trigon and WellPoint Analyzed - Both Companies Have Aggressive Long-Term Incentives
- Cerulean Companies, Inc. (formerly BCBS of Georgia; merged with WellPoint) is Most Similar to CareFirst. Merger Retention Bonuses of Executive Officers Reviewed
- Compilation of 13 Health Care Mergers Prepared by Piper Marbury Rudnick and Wolfe LLP Analyzed
- 2000 Executive Compensation Advisory Services Survey of Merger and Acquisition Retention Awards Reviewed. This Survey has 130 Organizations in it - 23% are Financial Services or Healthcare Companies

## *Additional Data and Alternative Approaches Provided by Another Compensation Consulting Firm*

- Frederic W. Cook & Co., Inc., Valued the CEO Award using Three Different Approaches:
  - Direct Translation of the Cerulean Transaction
  - Comparison to Other CEO transaction-related Bonuses in Companies Outside the Healthcare Industry
  - Comparison to Stock Option Gains of CEO's in Similarly-sized, Publicly-held Companies
- The Average of the Three Approaches is Consistent with Hay Recommendation (\$8.1 million + \$6.0 million + \$8.4 million = \$7.5 million average).

## *Equity-Based Compensation Comparative Transactions*

- 13 Health Care Mergers from 1996 to 2001
- Range in Transactions from \$200 million to \$2.2 billion
- Median Compensation as a % of Transaction Paid to Executive Officers (Including CEO) - 2.38% (Range Generally from 0.33% to 4.50%)
- Median Compensation as a % of Transaction Paid to CEO - 0.88% (Range Generally from 0.19% to 3.63%)

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## *Adjustment for Private Company*

- All 13 Transactions involved Public Companies
- A Reduction Factor of 20% is Commonly Used for a Private Company like CareFirst
- Median Compensation Reduces to 1.90% for Executive Officers (Including CEO)
- Median Compensation Reduces to 0.70% for CEO

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